

R.M.M. Law College, Saharsa

Pt. Lecturer- KESHAV KUMAR SHRIVASTAVA

L.L.B Part- 2nd

Subject- Insurance Act

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Topic- Difference between Assurance and Insurance.

Insurance

Insurance is a contract under which the insurer indemnifies the insured for any loss or damage caused due to natural calamity or occurrence of any other uncertain event. This indemnity is offered against certain considerations received from the insured to the insured in the form of premiums. In short, insurance is an agreement wherein the insurer promises to compensate the insured for the financial losses incurred against the exchange of premium.

The document containing the terms and conditions of the contract is called an insurance policy. The insurance policy states the details of the type of loss that has been covered by the insurer and states the maximum amount that would be due for payment to the insured in the event of uncertainty.

Insurance is a risk cover tool that guarantees financial compensation, for the damage, caused due to an uncertain event that is beyond the control of the insured. Insurance is of two types namely:

1. **Life Insurance:** Life insurance is a contract to cover the risk associated with the loss of life. The life insurance is considered as an assurance. Under a life insurance policy, a guaranteed financial compensation is given to the insured on the date of maturity of the policy or the nominee is compensated in the event of the death of the life insured.
2. **General Insurance:** General insurance is a risk cover provided to any product other than life insurance. General insurance covers the risk of loss caused due to fire, water, theft, or any other type. Fire Insurance, Marine Insurance, and Miscellaneous Insurance are types of general insurance. Under General Insurance, the financial compensation paid to the insured is equivalent to the actual damage or loss incurred.

Assurance

Assurance is similar to insurance in terms of offering financial coverage, however, there is a lot of difference between the two with regards to their usage and scope. Assurance is a type of financial cover offered to the insured that promises to reimburse for an unforeseen event that will happen sooner or later (for example death), which is called Assurance.

Assurance is a promise to pay a certain pre-determined amount of money i.e. the sum assured to the nominee in the event of the death of the life insured. Fundamentally life insurance is designed to provide financial coverage in the event of the demise and this act is called an assurance. Additionally, certain life insurance policies that offer payment of the policy on the date of maturity of the policy but in instalments. Thus, Assurance under life insurance can be classified into 3 types:

1. **Whole Life Insurance:** Under this life insurance policy the sum assured is paid to the nominee in the event of the death of the insured. However, the coverage is provided to the insured for the entire life i.e. till 99 years of age.
2. **Term Life Insurance:** Under this life insurance plan the sum insured is paid to the nominee in the event of the death of the insured during the policy tenure
3. **Annuity:** Under this life insurance plan the maturity benefit is disbursed to the insured in instalments rather than a one-time bulk payment.

The following table show the key differences between Insurance and Assurance.

Point of Distinction	Insurance	Assurance
Meaning	Insurance guarantees financial coverage against loss or damage caused due to an uncertain event (an event which might not necessarily happen example: fire, theft, earthquake, etc.)	Assurance guarantees financial coverage against loss or damage caused due to an event that is sure to happen example Death.
Basis	Insurance is based upon the principle of indemnity	Assurance is based upon the principle of certainty
Protection offered	For an uncertain or anticipated event	For a definitive event
Claim payment	Claim payment is made after the happening of the anticipated event	Claim payment is made either in the event of happening or at the time of maturity

Point of Distinction	Insurance	Assurance
Duration	The insurance contract is for one year and is renewable every year	The duration of assurance is long-term
Type	General Insurance promises insurance	Life insurance promises assurance
Purpose	The purpose of the policy is to prevent risk and offer financial coverage for the losses of an UNCERTAIN or ANTICIPATED event	The purpose of the policy is to prevent risk, earn benefit and secure financial coverage for the losses for a CERTAIN event.

The End